

## Chapter 33 Comparative Advantage and the Open Economy

According to your text has world trade expanded or decreased since 1950?

What percentage of GDP does trade makeup today?

Why does specialization lead to higher output?

Define comparative advantage?

What other benefits do nation receive from trade?

Why has trade services increased during a recession?

What is the basic proposition of all international trade?

How are imports paid for in the long run?

Why does the US still lead in many areas of international trade?

According to your text, what effect does restricting imports have?

Why might a country restrict foreign imports to protect infant industries?

What is **dumping**? Why might this practice lead to trade restrictions on certain counties?

Why might free trade lead to losing American jobs?

According to your text, has protection of various industries helped keep jobs in the US in the long run?

What other reasons are given that some Americans might oppose free trade?

What is a quota?

According to your text graph, how do quotas affect the price of a product?

How is a tariff different from a quota? What effect does a quota have on the price of American products?

According to your text, what impact did the Smoot-Hawley tariff have on the US and world economy?

List several international or regional organizations designed to reduce tariffs and trade restrictions.

## Chapter 34

What does **the balance of trade** refer to?

What is the balance of payments?

List two things that lead to surplus in the balance of payments?

List two things that lead to a deficit in the balance payments?

What is an accounting identity?

How current account defined? Which three things are in the current account?

What causes a current account deficit?

What causes a current account surplus?

What types of transactions are involved in capital account transactions?

Why does the capital account and the current account equal zero?

List several types of reserve account transactions.

How will an increase in inflation in the US effect our exports and balance of trade?

What is the foreign exchange market?

What are flexible exchange rates?

What does appreciation of a currency mean?

What does depreciation of a currency mean?

What determines the relative exchange rate between different currencies?

What is currency appreciation and depreciation?

What other factors determine foreign exchange rates?

What are the difference between a fixed and floating exchange rates?